MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023

DTX5014 – TAXATION 1

(All sections/Groups)

22 NOVEMBER 2022
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 9 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

(a) "There has been a changing trend of tax revenue collection over the last decades in Malaysia."

Explain the differences between direct tax and indirect tax. (5 marks)

(b) Nawra Scarf Sdn Bhd is a Malaysian resident company with a paid-up capital of RM2,500,000 on its chargeable income of RM875,000, in the year of assessment 2021.

(i) Calculate the tax payable of Nawra Scarf Sdn Bhd. (2.5 marks)

(ii) Would it make a difference if it was a non-resident company instead? Explain your answer and provide a calculation, if any. (2.5 marks)

PART B

Endless Sky Sdn Bhd is a Malaysian resident company with a paid-up capital of RM2,200,000. It manufactures fabric products in Subang Jaya. The company makes up its account on 31 December every year. For the year ended 31 December 2021, it has the following details:

Particulars	**RM**
Gross income	8,450,000
Expenditure (Note 1)	(6,275,000)
Capital allowances	137,500
Balancing allowances	68,000
Balancing charge	70,000
Capital allowance brought forward	26,500
Unabsorbed business loss brought forward	92,600
Other incomes:	
Interest received during the year	180,100
Single tier dividend	150,765
Rental	270,000

Note 1:

Included in expenditure for the year were the following:	**RM**
Depreciation	820,500
Cash donation to State Government	340,000
Specific provision for bad debts	210,500

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Required
Compute the chargeable income for Endless Sky Sdn Bhd for the year of assessment 2021. (10 marks)

PART C
Amer, a resident in Malaysia received the following interest income for the year ended 31 December 2021:

	Sources of Interest Income	RM
(a)	Malaysian Government Securities	3,200
(b)	Saving accounts with CIMB Bank (deposit RM70,000)	1,500
(c)	Bon Simpanan Malaysia issued by the Central Bank of Malaysia	750
(d)	P2P Lending Activities in Malaysia	2,780
(e)	Convertible bonds issued by a listed company. These bonds approved by Securities Commission	2,530

Required
State the taxability status of the interest income received by Amer in the year of assessment 2021. (5 marks)

(Total: 25 marks)

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QUESTION 2

Niziu is a Japanese resident and employed as a sale representative for construction machinery. She was sent by her company to Malaysia to market some of the new machinery inventions on 18 November 2013. After a few years, she returned to her country on 31 October 2021.

An analysis of her passport shows the following:

Basis year	Period in Malaysia	Place
2013	18 November 2013 to 31 December 2013	In Malaysia
2014	1 January 2014 to 31 January 2014	In Brunei
	1 February 2014 to 20 April 2014	In Switzerland
	21 April 2014 to 2 August 2014	In Malaysia
	3 August 2014 to 30 October 2014	In Jakarta
	31 October 2014 to 31 December 2014	In Malaysia
2015	1 January 2015 to 18 March 2015	In Malaysia
	19 March 2015 to 1 April 2015	Japan for vacation
	2 April 2015 to 31 July 2015	In Malaysia
	1 August 2015 to 30 September 2015	In Singapore
	1 October 2015 to 31 December 2015	In Malaysia
2016	1 January 2016 to 31 March 2016	In Malaysia
	1 April 2016 to 13 April 2016	Seminar in Germany
	14 April 2016 to 31 July 2016	In Malaysia
	1 August 2016 to 31 December 2016	In Taiwan
2017	1 January 2017 to 20 April 2017	In Taiwan
	21 April 2017 to 31 July 2017	In Malaysia
	1 August 2017 to 31 December 2017	In Canada
2018	1 January 2018 to 31 December 2018	In Korea
2019	1 January 2019 to 31 January 2019	In China
	1 February 2019 to 31 December 2019	In Malaysia
2020	2 January 2020 to 14 April 2020	In Malaysia
	15 April 2020 to 31 December 2020	In Indonesia
2021	1 January 2021 to 17 February 2021	Thailand-owing ill health of uncle
	18 February 2021 to 31 October 2021	In Malaysia

Required

(a) Determine Niziu's tax residence status for the year of assessment 2013 to 2021, stating the condition and relevant provision of the Act to support your answer. (20 marks)

(b) Briefly discuss any **FIVE (5)** aspects of how being a resident in Malaysia would give a difference compared to a non-resident. (5 marks)

(Total: 25 marks)

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QUESTION 3

PART A

Gordon, a consultant from Russia was on assignment to give consultancy services to Perk Engineering Sdn Bhd in Kuala Langat. He arrived in Malaysia in August 2020 and went back to Russia on 14 July 2021. He is a non-resident for Malaysian tax purposes in the year 2020 and 2021.

His period of stay in Malaysia are as follow:

Period of stays	Days	Location of stays
1 August 2020 to 19 September 2020	50	Employment in Malaysia
20 September 2020 to 31 December 2020	103	Employment in Thailand
1 January 2021 to 3 April 2021	93	Holiday in Bali
4 April 2021 to 15 May 2021	42	Employment in Malaysia
16 May 2021 to 28 May 2021	13	Holiday in Singapore
29 May 2021 to 14 July 2021	47	Employment in Malaysia

Required

(a) State with reasons whether employment income of Gordon is chargeable to tax for the year of assessment 2020 and 2021. (4 marks)

(b) Would it be a different if Gordon is a non-resident who carried out his duties in Germany and was paid a director's fees of RM40,000 by Perk Engineering Sdn Bhd, a resident company in Malaysia?

State whether he is liable to tax or otherwise. (2 marks)

PART B

Lesti Kemboja, an Indonesian resident has been working with Ban Leng Sdn Bhd in Kuala Langat since 1 January 2010. She returned to Indonesia permanently on 1 January 2022.

For the period from 1 January 2021 to 31 December 2021, her remunerations are as follows:

	RM
Salary per month	8,500
Entertainment per month	2,300
Bonus:	
i) Financial year ended 31.12.2020 received on 15.3.2021	37,000
ii) Semi-annual bonus ended 30.6.2021 received on 10.8.2021	25,000
Travelling allowance per month (incurred for the business)	1,800

During the year 2021, the company provided the following to Lesti, unless stated otherwise:

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1. Medical fees for herself paid by Ban Leng Sdn Bhd amounting to RM3,560.
2. The use of a car costing RM127,500 when new, together with fuel. Ban Leng Sdn Bhd acquired the car on 25 June 2015.
3. Maid:
   (i) The company reimbursed the salary of the maid employed by Lesti at the rate of RM750 per month for the first three months of 2021.
   (ii) Starting from 1 April 2021, the company paid the monthly salary for the maid.
4. Leave passage for vacation:
   (i) Air passage to South Korea for herself, husband and two children amounting to RM26,000. Meals and accommodations amounting to RM8,600.
   (ii) Air passage for a family trip within Malaysia to four different places:

-Pulau Pangkor	RM2,700
-Pulau Redang	RM3,500
-Pulau Langkawi	RM2,500
-Pulau Tioman	RM1,300

5. A driver with a monthly salary of RM1,300 was provided by the company starting from 1 April 2021 until 31 December 2021.
6. A gardener and a house guard were provided by the company for the year 2021 amounting to RM700 per month and RM1,000 per month respectively.
7. She was also provided with a piano at a cost of RM24,000 with a lifespan of 20 years.
8. Fully furnished house provided by the employer amounting RM3,800 per month (excluding RM600 per month for furniture).

Required

Compute the employment statutory income for Lesti Kemboja for the year of assessment 2021. (19 marks)

(Total: 25 marks)

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QUESTION 4

Richard and May are tax residents in Malaysia. They were married and have 3 children below 18 years old. The following are details of their Malaysian income and expenditures for the year ended 31 December 2021:

	Richard	May
	RM	RM
Employment income	42,000	0
Rental income	5,400	10,800
Interest income	1,200	500
Contribution to EPF	4,620	0
Contribution to Private Retirement Scheme	3,600	2,400
Life insurance premium	2,600	1,200
Educational insurance for children	900	0
Books for children	200	0
New laptop	2,150	0

Richard donated cash amounted to RM500 to the old folks' centre (approved institution) on 13 June 2021. He also claims all child relief. May elected for joint assessment.

Required

(a) Compute the income tax payable for the year of assessment 2021 for Richard and May under joint assessment. (12 marks)

(b) How the answer in (a) would change if May elected for a separate assessment? (13 marks)

(Total: 25 marks)

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(b) Prescribed value of household furnishing, apparatus, and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room, or bedrooms.	RM840 (RM70 per month)
(b)	Semi-furnished with the furniture as above and one or more of the following:- air-conditioners, curtains, and carpets.	RM1,680 (RM140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils, and appliances.	RM3,360 (RM280 per month)

(c) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Gardener	3,600 per annum (RM300 per month)
(b)	Driver	600 per month
(c)	Household servant	4,800 per annum (RM400 per month)
(d)	Guard	4,800 per annum (RM400 per month)

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(d) Rates of tax for the year of assessment 2021:

(i) Non-resident individual 30%

(ii) Resident individuals:

Chargeable Income(RM)		Rate %	Tax Payable (RM)
On the first	5,000	0	0
On the next	15,000	1	150
On the first	20,000		150
On the next	15,000	3	450
On the first	35,000		600
On the next	15,000	8	1,200
On the first	50,000		1,800
On the next	20,000	13	2,600
On the first	70,000		4,400
On the next	30,000	21	6,300
On the first	100,000		10,700
On the next	150,000	24	36,000
On the first	250,000		46,700
On the next	150,000	24.5	36,750
On the first	400,000		83,450
On the next	200,000	25	50,000
On the first	600,000		133,450
On the next	400,000	26	104,000
On the first	1,000,000		237,450
On the next	1,000,000	28	280,000
On the first	2,000,000		517,450
Exceeding	2,000,000	30	

(e) Relief for year assessment 2021:

PERSONAL RELIEF FOR YA 2021:

	Reliefs	**YA 2021 RM**
1	Personal deduction	9,000
2	Disabled taxpayer	6,000
3	Parent-medical treatment, special needs, and carer expense	8,000
4	Basic supporting equipment for a disabled person	6,000
5	Advancement of learning (a) Tertiary level (b) Master and PhD (c) Upskill or self-advancement course (up to RM1,000)	7,000
6	(a) Medical expenses (i) treatment for serious disease (ii) undergoing fertility treatment (iii) vaccination (up to RM1,000) (b) Complete medical examination	8,000

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		up to RM1,000
7	Deposit in SSPN for child's education	8,000
8	Contribution to SOCSO	250
9	Lifestyle relief (a) Books, journals, magazines, newspaper (b) Personal computer, smartphone, and tablet (c) Sports equipment for approved sports activity (d) Gym membership (e) Internet subscription	2,500
10	Breastfeeding equipment	1,000
11	Childcare fees to a childcare center, kindergarten	3,000
12	Local tour-tour package, accommodation, and entrance fee	1,000
13	Personal computer, smartphone, and tablet	2,500
14	Healthy lifestyle (a) Sports equipment for approved sports activity (b) Rental or entrance fee to the sports facility (c) Registration fees for sports competition	500
15	Insurance premium on life (a)Government employee (b)Others (i) Life insurance premium (ii) EPF, approved scheme	 7,000 3,000 4,000
16	Premium on education or medical insurance	3,000
17	A deferred annuity, private retirement scheme	3,000
18	Disabled child	6,000
19	Full-time instruction at university, college, or other higher education, serving under articles (child ≥ 18 years old)	8,000
20	Disabled child studying full time higher education (child ≥ 18 years old)	14,000
21	Others (child < 18 years old)	2,000
22	Spouse not working, elect joint assessment -wife/husband relief	4,000
23	Disabled spouse elect for joint assessment or spouse not working	5,000

End of Paper